



**IOWA FINANCE AUTHORITY
BOARD MEETING MINUTES**

**Iowa Finance Authority Presentation Room
2015 Grand Avenue
Des Moines, Iowa**

May 7, 2008

Board Members Present

Roger Caudron, Vice Chair
Carmela Brown, Treasurer
Steven Adams (via telephone)

Heather Armstrong (via telephone)
Dave Erickson
Douglas Walter

Staff Members Present

Bret Mills, Executive Director
Lori Beary, Community Development
Director
Leo Duffy, Architect/Construction Analyst
Joseph Jones, Director of Governmental
Affairs
Shawna Lode, Communications Director
Susan Mock, Administrative Assistant
Loyd Ogle, Director of Title Guaranty
Division

Joe O'Hern, Director of Housing Iowa
Carla Pope, Director of Affordable Rental
Production
Terri Rosonke, Affordable Assisted Living
Coordinator
James Smith, Deputy Director/CFO
Mark Thompson, General Counsel
Dave Vaske, Low-Income Housing Tax
Credit (LIHTC) Manager
Nancy Wallis, Administrative Assistant

Others Present

Erin Andrew – Governor Culver's Office
Kristi Boyce – Wells Fargo Bank Iowa, NA
David Claypool – Dorsey & Whitney Law
Firm
Jim Conlin – Conlin Properties
Joni DeVries - Wells Fargo Bank Iowa, NA
Steve Ferguson – Bankers Trust
Duncan Gallagher – Iowa Health System
Dan Garrett – Midwest Housing Equity
Group

David Gregory – Bankers Trust
David Grossklaus – Dorsey & Whitney
Law Firm
Lee Hill – Iowa Department of
Management
Julie Lunn – Iowa Department of Economic
Development
Randy McPhail – Columbia Capital
Renie Neuberger – Neuberger Consulting
Kyle Rice – State Treasurer's Office

Call to Order

Vice Chair Caudron called to order the May 7, 2008, regular monthly meeting of the Iowa Finance Authority (IFA) Board of Directors at 11:00 a.m. Roll call was taken and a quorum was established with the following members present: Adams, Armstrong, Brown, Caudron, Erickson and Walter.

Because a quorum was not present in person, Mr. Caudron noted that the meeting was being held electronically due to scheduling conflicts.

Vice Chair Caudron said IFA Board and staff received a thank you note from the family of Kay Anderson for the flowers sent to her funeral.

Review of Minutes

April 2, 2008, Board Meeting

Vice Chair Caudron introduced the minutes of the April 2, 2008, regular monthly meeting of the IFA Board of Directors.

Motion: On a motion by Mr. Walter and a second by Mr. Erickson, the Board unanimously approved the minutes of the April 2, 2008, Board meeting.

Administration

SUMMARY & OVERVIEW

Mr. Mills announced that IFA has retained RSM McGladrey to perform an audit on IFA's internal controls. He also reported that UBS, IFA's co-senior manager for housing and State Revolving Fund (SRF) bond programs, is closing its municipal markets division. Mr. Mills referred to an article from the *Bond Buyer* referencing UBS.

Mr. Mills stated that IFA's Section 42 and Section 8 compliance teams were completing a Kaizen event to improve the processes used in that department. He also noted that during the week of May 20, 2008, IFA will host the first of four training sessions sponsored by National Development Council (NDC). Mr. Mills said IFA has invited nonprofit and for-profit developers to participate in the training with the expectation of building capacity for affordable housing around the state. He noted that 60 participants have registered for the session.

Mr. O'Hern briefly discussed the Fannie Mae Affinity Agreement, which should help with the single-family mortgage market. He explained loan-level price adjustments and how those adjustments affect lenders in the mortgage market. Mr. O'Hern said IFA has been exempt from the price adjustments because of an agreement negotiated by National Council of State Housing Agencies and Fannie Mae. He noted a new agreement has been reached recently which will mean that IFA will now be subject to the loan-level pricing, which IFA will need to pass on to borrowers. Mr. O'Hern said IFA's charge will be lower than the general market, but will need to be accounted for. In answer to questions from the Board, Mr. O'Hern said IFA hopes the charge will be less than one point.

ACCOUNTING & FINANCE

Review of March Financial Statement

Mr. Smith presented the March financial statement, noting that as a housing agency, IFA's year-to-date revenue is \$433,451 unfavorable to budget, year-to-date expenses are \$60,690 unfavorable to budget, and year-to-date net grant expense is \$220,863 favorable to budget, making the year-to-date operating income unfavorable to budget by \$273,278. He summarized specific points of the report.

Mr. Smith stated that SRF year-to-date operating income is unfavorable to budget, mostly because the 2007 Cap Grants are not yet available to draw. He said IFA should start drawing the Cap Grants soon.

Motion: On a motion by Ms. Brown and a second by Mr. Erickson, the Board unanimously accepted the March financial statement.

Resolution Authorizing Derivative Transactions re: Multifamily Loans

Mr. Smith introduced the resolution, explaining that the resolution authorizes IFA to enter into derivative transactions in connection with construction loans for projects using 9 percent tax credits. He said the swap transactions would allow IFA to provide the lowest possible cost of funds.

Motion: On a motion by Mr. Adams and a second by Mr. Walter, the Board unanimously approved the resolution authorizing IFA to enter into derivative transactions for multifamily loans.

LEGAL

Resolution Approving 2008 LIHTC Program Compliance Monitoring Manual

Mr. Thompson introduced the resolution and the adopted and filed version of the tax credit program compliance monitoring manual. He reported that this is the first update to the manual since 2000. Mr. Thompson said the Board approved the Notice of Intended Action on March 6, 2008, and that the manual has been published for public comment. He noted that a public hearing was held on April 15, 2008, but no members of the public were in attendance. Mr. Thompson announced that the cover memo in the Board packet provided details of the changes that had been made based on public comments.

Motion: Ms. Brown made a motion to approve and adopt the updated and revised Compliance Manual, marked to show changes from the version approved at the Board's March 5, 2008, meeting and attached as Exhibit A of the resolution, and to approve the notice of final adoption (Adopted and Filed) for the amendments to chapter 12 of the Authority's administrative rules as set forth on Exhibit B attached to the manual. On a second by Mr. Walter, the Board unanimously approved the resolution and the Adopted and Filed version of the LIHTC Program Compliance Monitoring Manual.

Resolution Approving 2009 LIHTC Qualified Allocation Plan

Ms. Pope and Mr. Vaske introduced the resolution and Notice of Intended Action approving the 2009 LIHTC Qualified Allocation Plan (QAP). Ms. Pope reported that IFA sought input from developers before beginning the process, then staff wrote the draft, took more public comments and made the changes summarized in the Board packet and presented to the Board for approval. She noted that if the Board approves the QAP, there will be another public comment period required by the administrative rules process.

Ms. Pope distributed a memo outlining four additional revisions being proposed for Board consideration. She explained the reasons for those changes, which would increase the per-project cap from \$700,000 to \$780,000, add language to Section 5.5 about a tenant relocation plan, add scoring criteria for “Impact on the Environment”, and revise the language relating to energy efficiency and green building criteria.

Motion: On a motion by Mr. Walter and a second by Mr. Erickson, the Board voted unanimously to approve the four revisions proposed by staff after the Board packets were prepared.

The Board asked why staff eliminated the set-asides for service-enriched and affordable assisted living projects. Ms. Pope said that comments from many developers in various areas of the state indicated that the demand for such units is decreasing. She said the issue will be addressed next year to see if the demand has changed.

Motion: Ms. Brown made a motion to approve the resolution accepting the draft of the 2009 QAP set forth as Exhibit A to the resolution, subject to revision based on comments to be received, and approving issuance of a Notice of Intended Action as set forth on Exhibit B attached to the resolution. On a second by Mr. Erickson, the Board unanimously adopted the resolution approving the 2009 Low-Income Housing Tax Credit Qualified Allocation Plan and the filing of a Notice of Intended Action.

Resolution Approving the State Housing Trust Fund 2009 Allocation Plan for the Local Housing Trust Fund Program

Ms. Rosonke introduced the resolution approving the 2009 Allocation Plan for the Local Housing Trust Fund Program. She said the advisory board met recently to discuss the allocation plan. Ms. Rosonke said one of the notable changes is that all references requiring annual updates have been deleted so the plan will not need a revision each year. She then summarized the other changes that were made to the allocation plan referring to the memo included in the Board materials.

Motion: Mr. Adams made a motion to approve the amended Iowa Finance Authority State Housing Trust Fund Allocation Plan for the Local Housing Trust Fund Program dated May 2008, as set forth in Exhibit A of the resolution, subject to revision based on comments to be received, and to approve the issuance of a Notice of Intended Action as set forth in Exhibit B of the resolution. On a second by Ms. Armstrong, the Board unanimously approved the resolution and the issuance of the Notice of Intended Action.

Notice of Intended Action Re: 265 IAC Ch. 9.22; TG Closing Protection Letter Program

Mr. Ogle introduced the Notice of Intended Action for TG’s Closing Protection Letter Program. He explained that TG was previously authorized to issue a closing protection letter only on TG transactions closed by a TG participating lender or abstractor. Mr. Ogle noted, however, that the Governor recently signed legislation that immediately changes the statute to allow TG to issue closing protection letters for anyone closing TG transactions. He stated that the TG Board approved the Notice of Intended Action on March 25, 2008, and recommended that the IFA Board approve it in order to have rules in place to take advantage of the legislation.

Motion: On a motion by Mr. Walter and a second by Mr. Erickson, the Board unanimously approved the Notice of Intended Action re: 265 IAC Ch. 9.22; TG Closing Protection Letter Program.

Notice of Intended Action Re: 265 IAC Ch. 9.20; TG Mortgage Release Certificate Program

Mr. Ogle introduced the Notice of Intended Action for TG's Mortgage Release Certificate Program. He said TG is authorized under current legislation to release mortgages by issuing Mortgage Release Certificates if the lender or realtor is not able to get a release from the lender of record. Mr. Ogle stated that proposed legislation would change the liability of TG from a strict liability standard to a negligence standard, allowing TG to release larger loans. He explained that the new legislation, if signed by the Governor, would allow TG to release larger mortgages. He said the TG Board can determine the limits for mortgages to be released, but the IFA Board must first approve the administrative rules. Mr. Ogle noted that the TG Board will probably raise the limits from the current \$500,000 for residential mortgages to \$1 million, and up to \$20 million for commercial projects that involve TG.

Mr. Ogle stated that the TG Board recommended on March 25, 2008, that the IFA Board notice the proposed rules. He said that the TG Board has the authority to set the limits already, so the legislation does not need to be signed by the Governor before IFA revises the administrative rules.

Motion: On a motion by Ms. Brown and a second by Mr. Erickson, the Board unanimously approved the Notice of Intended Action re: 265 IAC Ch. 9.20; TG Mortgage Release Certificate Program.

LEGISLATIVE

Mr. Jones announced that the Iowa legislative session ended on April 26, 2008. He said IFA drafted 11 bills at the beginning of the session, pursued 9 of those in earnest, and all 9 passed, with one waiting for the Governor's signature. He referred to the update included in the Board packets, stating that IFA received appropriations of \$3 million for State Housing Trust Fund, \$3 million for Waste Water Treatment Program, \$700,000 for Home- and Community-Based Services Rent Subsidy Program, and \$200,000 for the Entrepreneurs with Disabilities Program.

Mr. Jones briefly summarized federal legislation, especially the housing stimulus package. He said he would send the Board an e-mail in the next week or two with updates of state and federal legislation.

Mr. Jones distributed copies of the monthly report and the performance plan that IFA submitted to the Governor's office recently. He said the performance plan shows how IFA has progressed through the three quarters of the FY08.

COMMUNICATIONS

Ms. Lode reported that information about the Iowa Mortgage Help (IMH) initiative has been published in 179 newspapers around the state and will include radio spots beginning the week of May 12. She distributed IMH posters and brochures to the Board members and announced that nearly 10,000 of each have been sent to various groups around the state, including about 2,500 nonprofit organizations. Ms. Lode also distributed the spring edition of *SettlingIn*, the quarterly newsletter that IFA sends for one year to each household that takes advantage of the FirstHome or FirstHome Plus programs.

ECONOMIC DEVELOPMENT PROGRAM

ED Resolution #08-04A, Summit Farms, LLC Project

Ms. Beary introduced an application and inducement resolution for \$5,000,000 of Iowa Finance Authority Solid Waste Facility Revenue Bonds for the Summit Farms, LLC Project. She said the

bonds will be used for the acquisition and construction of the solid waste disposal components for swine production facilities. Ms. Beary noted the project will require Private Activity Bond Cap.

Motion: Mr. Erickson made a motion to adopt the resolution approving an application for \$5,000,000 of Iowa Finance Authority Solid Waste Facility Revenue Bonds (Summit Farms, LLC Project), Series 2008, for Summit Farms, LLC, its affiliates, successors and assigns (the “Borrower”), and evidencing the intent to proceed with the issuance of \$5,000,000 Solid Waste Facility Revenue Bonds. On a second by Mr. Adams, the Board unanimously adopted Resolution #08-04A.

ED Resolution #08-05A, Amaizing Energy Holding Company, LLC Project

Ms. Beary reported that this resolution has been pulled from the agenda because the Board approved the application and inducement resolution a year or more ago. She said the borrower thought they would need a new inducement resolution but we have discovered it is not necessary.

ED Loan #06-08, Iowa Health System Project

Ms. Beary asked the Board to hold a public hearing regarding the issuance of an amount not to exceed \$460,000,000 of Iowa Finance Authority Variable Rate Demand Health Facilities Revenue Bonds for the Iowa Health System Project. She stated the bonds will be used to refund prior bonds, for expansion of current hospital facilities in Fort Dodge and for the acquisition, construction and equipping of a new acute care hospital in West Des Moines. Ms. Beary said the Board adopted the inducement resolution on April 2, 2008, and the project does not require Private Activity Bond Cap.

Public Hearing: Vice Chair Caudron opened the public hearing at 12:07 p.m. regarding the issuance of an amount not to exceed \$460,000,000 of Iowa Finance Authority Variable Rate Demand Health Facilities Revenue Bonds for the Iowa Health System Project. Ms. Beary said IFA had received no written or verbal comments regarding the project. There being no comments from the audience, Vice Chair Caudron closed the public hearing at 12:08 p.m.

ED Resolution #06-08B, Iowa Health System Project

Ms Beary introduced the authorizing resolution for \$460,000,000 of Iowa Finance Authority Variable Rate Demand Health Facilities Revenue Bonds for Iowa Health Systems. She said the project will not require Private Activity Bond Cap.

Motion: Mr. Adams made a motion to adopt the resolution authorizing the issuance of not to exceed \$460,000,000 Iowa Finance Authority Variable Rate Demand Health Facilities Revenue Bonds (Iowa Health System) in one or more series for the purpose of making a loan to assist the borrower in refunding certain prior bonds and in the acquisition, construction, renovation and equipping of various projects; authorizing the execution and delivery of certain financing documents pertaining thereto; authorizing an assignment of certain financing documents for further securing the payment of the bonds; authorizing the sale of the bonds; authorizing the appointment of a trustee; and related matters. On a second by Mr. Walter, the Board voted unanimously to adopt Resolution #06-08B.

Public Hearing for ED Loan #08-03, Mercy Medical Center, Cedar Rapids Project

Ms. Beary asked the Board to hold a public hearing regarding the issuance of an amount not to exceed \$130,000,000 of Iowa Finance Authority Hospital Facility Revenue and Refunding Bonds for Mercy Medical Center, Cedar Rapids Project. She said the bonds will be used to renovate the lab

and emergency room, construct a parking ramp, refund prior bonds and for various other equipment and renovation needs. Ms. Beary noted the project will not require Private Activity Bond Cap.

Public Hearing: Vice Chair Caudron opened the public hearing at 12:10 p.m. regarding the issuance of an amount not to exceed \$130,000,000 of Iowa Finance Authority Hospital Facility Revenue and Refunding Bonds for Mercy Medical Center, Cedar Rapids Project. Ms. Beary said IFA had received no written or verbal comments regarding the project. There being no comments from the audience, Vice Chair Caudron closed the public hearing at 12:11 p.m.

HousingIowa

AFFORDABLE RENTAL PRODUCTION PROGRAMS

Resolution Withdrawing Credits from LIHTC #08-33, Taylor Heights Village

Mr. Vaske reported that Taylor Heights Village, L.P. requested an extension for payment of the LIHTC reservation fee relating to the 2008 LIHTC project awards granted by the IFA Board on March 5, 2008. He explained that the reservation fee was due to IFA no later than March 19, 2008. Mr. Vaske stated that on March 20, 2008, the Gandolf Group said they would withdraw the application for tax credits because the current market conditions and the loss of state HOME funds left an equity gap too large for the project to be financially feasible.

Mr. Vaske referred to the letters from Taylor Heights Village dated April 11, 2008, and April 25, 2008, requesting that IFA grant the extension. He said all other tax credit recipients paid their reservation fee within the required time limit.

Mr. Walter asked if IFA has received requests for an extension in previous years. Ms. Pope said IFA has received requests for an extension during the 10-day period, but in those cases the developer did decide to pay the reservation fee before the deadline.

Vice Chair Caudron asked if anyone from the Gandolf Group would like to address the Board. There being no one present to speak, Vice Chair Caudron asked for a motion.

Motion: Mr. Erickson made a motion, pursuant to Section 3.4.7 of the 2008 Low-Income Housing Tax Credit Qualified Allocation Plan (QAP), to withdraw the reservation of tax credits made to Taylor Heights Village, L.P. at the Authority's March 5, 2008, Board of Directors meeting. On a second by Ms. Brown, the Board unanimously approved the resolution withdrawing credits from LIHTC #08-33, Taylor Heights Village, L.P.

Board members encouraged Taylor Heights Village to submit an application for the project during the 2009 funding round. The Board also encouraged staff to consider changing the QAP to extend the 10-day requirement for the reservation fee for the 2009 funding round.

Title Guaranty Division (TG)

Mr. Ogle invited the Board members to attend the annual TG conference November 6, 2008. He also announced that the reinsurance contract has been signed, effective May 1, 2008, so TG can proceed with plans for the commercial department.

Mr. Ogle reported that the TG Board elected Ms. Deborah Petersen, an attorney from Council Bluffs, as Board Chair at their March Board meeting. He also noted that with the recent collapse of

Regency Homes, TG is issuing policies to affected homeowners where practical in an effort to help those homeowners facilitate the closing of the loan transactions.

Water Quality Programs

Resolution – Planning and Design Loans

Ms. Beary introduced the resolution to approve Planning and Design Loans for the cities of Alta, Sutherland, Garner, Spencer, Little Rock, Sioux City and Woodward and for Poweshiek Water Association. She said the total for the projects is \$5,851,500. She noted that with the adoption of this resolution, IFA has approved Planning & Design Loans in FY08 totaling more than \$22 million for 47 projects.

Motion: On a motion by Mr. Adams and a second by Mr. Walter, the Board unanimously approved the Planning and Design Loan Resolution.

Miscellaneous Items

Receive Comments from General Public

Vice Chair Caudron opened the public comment period and asked if anyone in the audience would like to address the Board.

There being no audience members wishing to address the Board, Vice Chair Caudron closed the public comment period.

Vice Chair Caudron said the next regular monthly meeting would be held at 10:45 a.m. on June 4, 2008, in IFA's Presentation Room.

Adjournment

There being no further business, on a motion by Mr. Erickson and a second by Mr. Walter, the May 7, 2008, meeting of the IFA Board of Directors adjourned at 12:25 p.m.

Dated this 4th day of June 2008.

Respectfully submitted:

Approved as to form:

Bret L. Mills
Executive Director
Iowa Finance Authority

Roger J. Caudron, Vice Chair
Iowa Finance Authority